

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 03 BRASILIA 003001

SIPDIS

SENSITIVE

E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [ECON](#) [BR](#)

SUBJECT: BRAZIL CORRUPTION SCANDAL UPDATE, WEEK OF 07-11  
NOVEMBER 2005

REF.: BRASILIA 02951 AND PREVIOUS

1. (SBU) INTRODUCTION. There have been a number of developments in different venues this week. Overall, the various corruption scandals are merging into an increasingly contentious, across-the-board struggle between the Lula government and its opposition in the run-up to next year's general election campaign. In addition, fewer of the previous rules of the road are being observed -- especially by the opposition. It remains to be seen whether some new guidelines to prudent conduct can be established or the deterioration of constraints will continue. END INTRODUCTION.

PRESIDENT LULA INTERVIEWED ON NATIONAL TELEVISION  
-----

2. (U) On November 7, for the first time since the corruption scandals erupted in June, President Lula was interviewed on national television and spoke about the crisis that has subsequently engulfed his party and administration. During this session with a panel of respected journalists, which was pre-recorded in the Presidential Palace, the President condemned the use of unaccounted campaign funds (Note: Lula had said previously that the use of unaccounted money in political campaigns was part of the Brazilian political tradition. End Note.), and acknowledged that his former right-hand man, Jose Dirceu, is likely to be expelled from the Chamber -- although further averring that this will be for political reasons, since there is no clear evidence against him. President Lula also stated that he felt betrayed but, when asked by whom, responded that he would not name names. At the same time, however, he denied the existence of any comprehensive vote-buying scheme in Congress, as well as allegations that the PT had received money from the Cuban government, as recently alleged by Veja news magazine (ref). When asked about the future of the Workers' Party, President Lula said he was certain that it would survive the crisis and recover its standing with the Brazilian public. Moreover, he affirmed that he had not finally decided on whether he would run for re-election next year. And, with respect to the Celso Daniel murder case, Lula defended the thesis that it was most likely a common crime (ref). According to the news channel that organized the event, negotiations with the presidential staff had taken six months. Indeed, this was the first time President Lula conceded such an interview since taking office.

3. (U) Reactions to President Lula's interview were varied and divided along predictable political lines. On one hand, members of the Workers' Party noted that the President was spontaneous, focused and calm. Former minister Luiz Gushiken labeled the interview "clear and honest" and affirmed that it established an important connection between the President and Brazilian society. According to the PT's new chief, Ricardo Berzoini, the President had taken effective advantage of a good opportunity to state his version of the facts and deny the many false accusations against him. On the other hand, in subsequent conversations with polofs the leaders of the main opposition parties in the Chamber harshly criticized Lula's performance. "It was the worst interview I have ever seen; he lied in order to defend himself" said Deputy Rodrigo Maia (PFL-RJ). And "empty, banal, small -- that was the Lula I saw and heard", opined Senator Arthur Virgilio (PSDB-AM). The president of the Brazilian Bar Association, Roberto Busato, characterized President Lula's line of argument as "unacceptable" and betraying a complete unawareness "of the political reality". Former President Fernando Henrique Cardoso also weighed in with the opinion that Lula had put itself at greater risk by appearing to defend the indefensible actions of fellow PT members, such as Jose Dirceu and Delubio Soares: "He took responsibility in solidarity with his "companheiros", which may be nice in human terms, but is also very dangerous" for him as head of the government and president of the country.

DIRCEU APPEALS TO CHAMBER'S JUSTICE COMMITTEE  
-----

4. (U) Also on November 7, the lawyer of Deputy Jose Dirceu filed another appeal within the Chamber's

Constitution and Justice Committee -- once again requesting the suspension of his client's judgment in the Ethics Committee. The lawyer argued that Dirceu had not been given an adequate chance to defend himself. More to particular legal points, he questioned the procedure adopted by former Speaker of the House, Severino Cavalcanti, when he decided on his own to submit Dirceu's case to the Ethics Committee, without consulting other members of the Chamber's formal leadership. (This case was not brought to the Ethics panel after investigation by one of the CPIs. Rather, it was referred directly to that Committee by the Speaker after initial accusations by Roberto Jefferson and the PTB.) But Dirceu's fate so far remains scheduled for definitive resolution by a floor vote on November 23.

THIS WEEK IN THE CPIs  
-----

15. (U) On November 8, the Bingos CPI (convoked to investigate money-laundering in illegal gambling houses and municipal governmental corruption) heard testimony from Roseana Moraes Garcia, the widow of Antonio da Costa Santos (Toninho do PT), and Ivone Santana, Celso Daniel's ex-girlfriend. Both Santos and Daniel were PT mayors of municipalities in the state of Sao Paulo, who were murdered under mysterious circumstances in September 2001 and January 2002, respectively. Santos' widow claimed that his killing was politically motivated because he was denouncing irregularities committed within the city's administration. She also alleged connections between her husband's death and that of Daniel. The formal investigation of this crime had concluded that Santos was murdered during a simple robbery. On the other hand, Ivone Santana's testimony favored the thesis of common crime in the case of her late boyfriend and went out of the way to absolve people in the government from any responsibility. This directly contradicted the views of Daniel's brothers, who were heard by the panel last week (ref). Indeed, she averred that President Lula had actually suggested Daniel hire bodyguards two months before he was killed. She also denied that Gilberto Carvalho, Lula's personal chief of staff, had tried to coach her subsequent statements to public prosecutors (confirming Carvalho's testimony, also heard last week) or that she had received any form of assistance from the PT since Daniel's murder. Opposition members of the committee were openly skeptical of her veracity on all of these points.

16. (U) On November 9, the Chamber's plenary (in a 340-108 vote) definitively ratified the recommendation of the Ethics Committee to fully absolve Deputy Sandro Mabel (PL-GO). Mabel had been accused by Roberto Jefferson of having received money from Marcos Valerio and by Deputy Rachel Teixeira (PSDB-GO) of offering her R\$ 1 million to switch party affiliation to the PL. The argument for Mabel's acquittal was lack of concrete evidence against him to sustain those charges. On that same date, however, the Ethics panel approved a contrary finding against Dep. Romeu Queiroz (PTB-MG), by a 12-2 margin. Queiroz's case will now go to the floor sometime after the November 23 balloting on the Jose Dirceu case and there currently remain another 11 deputies still awaiting judgment.

17. (U) In testimony before the Mensalao CPI (convened specifically to investigate the comprehensive vote-buying scheme originally alleged by Congressman Roberto Jefferson), former Transportation Minister and current mayor of Uberaba (MG), Anderson Adauto, openly admitted his receipt of R\$ 410,000 in unreported funds from former PT Treasurer, Delubio Soares. Furthermore, he averred that the use of unaccounted campaign funds is inevitable in Brazil and that he had employed them in all of his 11 political campaigns. (In fact, he went on to say that any elected officials who deny having had recourse to such practices are being "cynical" -- that is to say, are lying hypocrites.) The subsequent view of most of the panel's opposition members was simply that Adauto had confessed to a crime and ought to be punished. Some members aligned with the government, however, seemed more willing to make allowances -- indeed, crediting him with candor enough to at least take "responsibility for actions that others tend to deny".

COMMENT  
-----

18. (SBU) Pressure has been building for some time now to break an unstated understanding between the government and its adversaries that Finance Minister Antonio Palocci would not be called before Congress to testify, in spite of persistent allegations about possible wrongdoing during his tenure as mayor of Riberao Preto. This tacit accord had been strengthened by his purported threat to resign if required to defend himself before the legislature. But more recent charges about the PT's possible receipt of money from Cuba (when Palocci was chairman of Lula's presidential

campaign) and money from the Bank of Brazil having gone directly into Marco Valerio's slush-fund (when Palocci was already Finance Minister) have made it increasingly difficult to sustain. Moreover, Palocci has been under increasing fire from within the government -- first from the left of the PT in general and more directly this week from Casa Civil chief, Dilma Rousseff -- over his ongoing fiscal stringency as government officials begin to think about next year's general election campaign. For now, a compromise seems to have been reached, under which Palocci will testify before the Senate's Economic Affairs Committee (CAE) -- not one of the Chamber's investigatory panels -- to speak about the state of Brazil's economy. But, it seems to be generally understood that he will face some questioning on corruption-related themes as well. Whether this compromise is enough to satisfy the opposition -- and public opinion, more generally -- or is just the first breach in the dam of his immunity remains to be seen. (Septel to follow will examine Palocci's situation in more depth.)

CHICOLA